

**Trade and Culture:
Key to Normalisation of Indo-Pak relations**

A.M. KHUSRO

The development and consolidation of trade and commercial links can be a viable means of conflict resolution and sorting out other political issues. Professor A.M. Khusro, India's former ambassador to Germany, who is currently editing the Financial Express, made this observation as a means to strengthen intra-SAARC ties in general, and Indo-Pakistan relations in particular. Following are the excerpts of his conversation with Professor Riyaz Punjabi:

Indo-Pakistan Trade

The potential of trade, commerce and investment in this region is immense but remains unexploited because of the unhappy Indo-Pak relations.

It is interesting to note that by and large all the SAARC countries share borders with India, but not with each other. Similarly, India shares a cultural affinity with each of the SAARC nations.

The commonality of culture and language between the Punjabis of Pakistan and those in India, between the Bengalis from Bengal and Bangladesh, between the Tamilians from Tamil Nadu and those of Sri Lanka, between the Gorkhas of North-Eastern areas and Nepal is abundantly clear.

Before the Partition, voluminous trade ties existed between India and Pakistan. However, after 1947 it virtually stopped. Until recently, only 49 commodities were being traded because Pakistan was apprehensive of Indian industry's superiority garnered by virtue of its low costs, sophisticated technology and quality of goods produced. This mode of thought is however, now undergoing a change. Under General Zia-ul-Haque, free trade was unheard of as it was being channelised through the public sector. I feel that we should have had a more expansive outlook and expressed our willingness to accept the import even to the extent of 250 items even if Pakistan had limited the trade list to about 50 commodities. Such a policy of liberalisation would have had a salutary effect on Indo-Pakistan relations. In any case, our businessmen would have bought them only if it suited them cost-wise and return-wise, and same would be case with Pakistani trader and businessman. Such an announcement would have had a goodwill and confidence building effect on Indo-Pakistan relations.

Pakistan argued that until such time that the Kashmir issue was resolved, there could be no question of open/unrestricted trade relations between the two countries. This thinking has continued to cloud Indo-Pak commercial ties.

In the last two years, efforts have been made by groups such as the Nimrana group, to undertake people-to-people dialogue. As a result of this non-governmental effort, some positive thinking has emerged, and both the governments are aware of this. We have exchanged papers highlighting

benefits of trade between the two countries. On the ground level also, this has had an impact. Over the past two years, the number of tradeable commodities has gone up from 49 to 450. Thus the volume of trade, which used to be a meagre Rs. 100 crore, has now crossed Rs. 400 crore.

These efforts should be supplemented by a liberal visa policy. The movement of human beings across the borders is imperative for expanding trade and commerce. Moreover, it can benefit the tourism industry of the two countries as well. The last serious effort to facilitate a freer movement of people between the two countries was made by Mr. Atal Bihari Vajpayee.

In case a four-fold increase could come about in Indo-Pak trade within two years and in case this positive trend persists, trade between the two countries would increase by leaps and bounds. We could then be in a position to initiate a dialogue on the lines that we have undertaken with China which has resulted among other benefits in reducing our defence expenditure by over Rs. 1000 crore.

It is a two way process: If issues such as that of Kashmir could be resolved, trade and commercial ties would definitely improve and this would help find a solution to other issues of conflict between the two countries. And if the latter are improved, it would help find solution to the other issues and problems.

What also needs to be understood is that there are a number of non-competitive commodities, which both India and Pakistan can trade in without harming each others interests. In any case, the number of commodities in the competition list is so small, that many non-competitive items could be found suitable for trade. I, therefore, am of the view that the problem is one of our attitudes.

On the South Asian Preferential Trade Association (SAPTA)

When the leaders of SAARC met in Dhaka recently they discussed SAPTA. There was some resistance to the formation of such an association from Pakistan's Prime Minister, Mr. Nawaz Sharief, who eventually came around to the proposal, and eventually agreed. A mechanism has been evolved to decide which commodity should get tariff preference. This major step was taken at the recently held SAARC summit in Dhaka. However, other bottlenecks stand in the way of the normalisation of trade relations. Now that we have already formed regional associations such as SAARC, the idea should be mooted that even if India and Pakistan had a cold war on the trade account, this should not prompt other countries trading with Pakistan. Similarly, why should not the other five SAARC members talk to India and expand their trade and commercial links. In case Pakistan does not want to directly trade with India, this could happen through other SAARC countries. What needs to be worked out are the comparative advantages which would accrue to each of the countries involved. The basic idea is that, for instance, Bangladesh has an edge in certain commodities, however, narrow it should concentrate on the production of that particular item not only for domestic consumption but for export purposes to the other six SAARC countries as well. In this manner, the spheres of production would enlarge resulting in low costs and increase in saleability. Similarly, if Sri Lanka or Pakistan has an edge over other items, let them specialise in those items accordingly. Let them produce not only for themselves, but for the whole region.

We should also apprise ourselves of the benefits that one get by the formation of a regional association for the purposes of international trade. No thought has been given to this. Although bi-lateral arrangements exist, but we must now have preferential trade agreements between different nations. I think potential for this is very substantial. It should be done as a SAARC Group. There should be inter-country trade within SAARC and as a group dealing with other regional groups. Trade between India and Pakistan should increase. This has become all the more essential and feasible too with adoption of path of liberalisation in both the countries.

Beneficiaries of Stalemate

Beneficiaries of Indo-Pak statement have been the developed countries and even some of the less-developed countries. High cost supplies to both India and Pakistan have been the consequences of non-cooperations between the two. Had there been greater economic and trade cooperation and understanding, both countries would have benefitted through procurements at lower costs from each other. India has a large range of goods, which Pakistan would have got from us comparatively at lesser cost, and vice versa. Here the distances are far shorter and transport costs lower. Similarly, labour costs are lower than those in America and Europe. Once India and Pakistan do this, producers in those countries will have to pull up their socks.

The Break-up of Soviet Russia

It is difficult to say what SAARC as an association can do in this scenario. The strategies have to be reworked by individual countries. Large new markets have emerged. The new republics have a liberalised thinking and many countries are vying with each other to establish economic and trade relations with them. This cannot be stopped. There is great opportunity and potential for all SAARC countries and especially India and Pakistan. But individual shares of these new markets would depend on comparative efficiencies, initiatives, costs and capabilities. I think that India has a much bigger range of goods and services to supply, and thereby greater potential for trade with them.

The New Competitive Markets

USA and other developed countries in Europe are asserting more forcefully, and many times unreasonably than before, to capture and retain markets through measures like tariff values even though they talk of free trade. This makes no sense. They object even to reasonable concessions given by government to industry in India and Pakistan, by describing these as dumping efforts. Again, there are their laws about Protection of Intellectual Property and there are Dunkell proposals. They want us to accept the American Laws. We cannot accept these as these are. Parts of these are good, but we have to look at the totality and in the long perspective. We cannot accept these laws and proposals without considering our own interests. I think that the point is unassailable that in the present phase, a joint position by India and Pakistan would be beneficial. But at the same time, it requires prior sorting out of issues and friendliness on trade and commerce front between the two countries. That is missing and we lost out on that account.

Peace initiatives

I am of the view that India can take even unilateral position on matters like freezing and reducing the defence budget and induction of more sophisticated armaments. A bold announcement like this will create the right effect in Pakistan. Of the two possible responses of inducting more sophisticated arms and systems and building the civil infrastructure etc. by diverting the funds saved through to a corresponding defence freeze, I am sure that Pakistan will choose the latter. Their economy needs this with an understanding between the two countries and disappearance of a conflict situation. In that event, even USA and other developed countries will not supply F168 and other systems to Pakistan. It is simple, they will say that Pakistan does not need them because there is no conflict US Congress did not approve of the Star Wars (SDI), once USSR with Gorbachav at the head became friendly with them. If they did not do so for their own President Reagan, will they do it for Pakistan. But this requires a strong political leadership in both the countries, and some bold initiatives indeed.

Prof. A.M. Khusro is an eminent economist and former diplomat. He is presently chancellor of Aligarh Muslim University, Chairman of the Agha Khan Foundation and Editor, Financial Express, New Delhi.